INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **ABB India:** ABB reported strong Q3CY23 revenue/EBITDA/PAT at INR 27.7/4.4/3.6bn beating our estimate at all level by 11/36/34%. This was mainly on the back of a higher EBITDA margin, which was at an all-time quarterly high of 15.8% (+588/+194bps YoY/QoQ). Margin expansion was mainly aided by higher capacity utilisation kicking in oplev, higher price realisation mainly in EL segment, favourable product mix and higher proportion of services, at 16%, in the revenue mix. MO witnessed a large order within its railway division from a Vande Bharat OEM. ABB is anticipating a higher capex cycle in railways and is thus planning to expand and enhance its MO manufacturing capacity. ABB is, however, witnessing a slowdown in demand for LV motors because of diminishing pent up demand and global slowdown. For Q3CY23, order inflow (OI) was INR 30bn, taking the order backlog to INR 80bn. The punchy valuation limits further stock upside; thus, we maintain REDUCE with an increased TP of INR 4,080/sh (rolled over to 60x Sep-25 EPS).

- **United Spirits:** UNSP's Q2 print was largely in line with revenue/EBITDA/PAT growing by -1/6/21%. On LFL, revenues were up 12%, led by increasing P&A mix and improved footprint & saliency of innovation/renovation offerings. P&A volume/revenue grew by 4/13% YoY, led by improved market saliency of offerings, which were recently renovated/innovated. The popular segment volumes fell 11% (rebased) as sustained inflation and duty increases in some states continued to have a bearing on demand. In addition to weak popular and low prestige, there are early signs of demand slowdown even in mid-prestige. GM sustained its sequential improvement trend (43.4%), aided by forward cover and price increase. However, with ENA prices expected to remain elevated, we bake in slow recovery to pre-COVID margin at c.48%. Despite achieving 17% EBITDAM in H1FY24, management remains cautious for H2FY24 and expects slightly above 15% EBITDAM in FY24. It is driven by input cost pressure, demand slowdown and brand investments. However, UNSP remains confident in medium to long-term of double-digit revenue growth with higher EBITDA growth. We cut our EPS by 3/2% for FY24/25. We value UNSP at 47x P/E on Sep-25E EPS (standalone) to arrive at a TP of INR 1,100 (including INR 80/share of RCB+ non-core assets). Maintain ADD.

- **Phoenix Mills:** Phoenix Mills (PHNX) reported muted revenue/EBITDA/APAT at INR 8.8/5.1/2.8bn, missing our estimates by 13/14/6%. Consumption improved to INR 26.4bn (+21%/+3% YoY/QoQ). PHNX is ramping up its office portfolio intending to achieve 7.1msf of leased office assets by FY26 from 2.5msf of the current operational portfolio. In FY24, Phase 1 comprising 0.8msf of the office assets in Hebbal, Bengaluru, is expected to become operational. PHNX has not achieved any prelease in this asset; however, it has a pipeline of 2msf and expects occupancy to reach 75% within a year of completion. PHNX acquired land in Thane with 3msf developable potential and is evaluating multiple options on asset class to develop. Densification is emerging as the new growth driver, and we incorporate a 10-15% rental hike in line, with PHNX office rent guidance, the addition of office space, a strong business development pipeline, and robust

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cash generation as the other triggers. We maintain BUY, with an increased SOTP of INR 2,280/sh.

- **Oil India:** Our ADD recommendation on Oil India with a target price of INR 320 is premised on oil and gas production growth at 3% CAGR over FY24-26E, attractive valuations of 4.8x Mar-25 EPS—a 20% discount to long-term average P/E of 6x, 0.6x Mar-25 P/Bv with RoE of ~15% and a dividend yield of ~8%. However, this is offset by limited earnings potential, owing to the levy of a windfall tax on crude oil prices and a decline in the price of domestically produced APM gas. Q2FY24 EBITDA stood at INR 25bn, coming in ahead of our estimate; however, PAT at INR 3.3bn came in well below our estimate, mainly impacted by a provision for service tax/GST on royalty of INR 24bn.

- **Deepak Nitrite:** We maintain SELL on Deepak Nitrite (DNL), with a price target of INR 1,419 (WACC 12%, terminal growth 4%). The stock is currently trading at 24x FY25E EPS. We believe that (1) high input costs will continue to put pressure on the company's margin and (2) further growth in DPL is capped as the phenol plant is already running at over full capacity. EBITDA/APAT were 8/5% below our estimates, owing to lower-than-expected revenue.

- **The Ramco Cements:** We maintain a REDUCE rating on The Ramco Cements with a revised target price of INR 1,030/share (12x Sep-25E EBITDA), owing to expensive valuations and elevated balance sheet outlook. It reported strong performance in Q2FY24, as volume grew 38/7% YoY/QoQ. NSR declined 3% QoQ on weak pricing in the south. However, as opex too fell 5% QoQ, unitary EBITDA expanded INR 75/MT QoQ to INR 865/MT. Management expects 20%+ volume growth in FY24. The 0.9mn MT brownfield SGU in Odisha is expected by Jan-24. We estimate gearing to remain elevated (net debt/EBITDA >2x), owing to aggressive expansions.

- **Endurance Technologies:** Endurance Q2 consolidated PAT at INR 1.55bn was in line with our estimate. Europe business saw a 70bps QoQ margin decline to 15.4%, largely due to seasonality. In India, while the premium segment in 2Ws is seeing good demand, growth prospects for entry 2W segment appear bleak, given the incremental impact of sub-par monsoon expected on rural sentiment. Further, consumer sentiment in Europe has sharply deteriorated, given the recessionary trends in the region. The weak consumer sentiment is visible in the slower run rate of Endurance's business wins in Europe for H1. However, given the reduction in energy costs in Europe, we factor in consolidated margin to improve to 14% by FY25E (from 11.8% in FY23). While we have factored in most of the key positives, the valuation at 28.5x FY25E earnings appears expensive. Reiterate REDUCE with a revised target of INR 1,508 (earlier INR 1,467), as we roll forward to Sep-25 EPS (unchanged target multiple of 25x).

- **Brigade Enterprises:** Brigade Enterprises Ltd (BEL) reported strong presales of 1.7msf (+39%/+14% YoY/QoQ), valued at INR 12.5bn (+57%/+25% YoY/QoQ), with average realisation touching an all-time high of INR 7,466psf. The higher realisation is on the back of a price hike taken with an average hike of +15%/+9% YoY/QoQ. Most of the presales were sustenance sales with two projects of 1.15msf launched during the quarter contributing 35% by volume and 30% by value to the overall presales. BEL has a total launch pipeline of 11.1msf for the next four quarters, of which 6.5msf of project with a GDV of INR 65bn is planned for H2FY24. The Mount Road Chennai project (i.e. TVS land) is expected to be launched in Q4FY24. In terms of BD, BEL added 42 acres of land across Bengaluru, Chennai, and Hyderabad, with 7msf of saleable area and a GDV of 77bn. BEL paid the remaining INR 2.3bn towards Kokapet land, Hyderabad, during the first week of October. Given BEL's strong cash position of INR 15.7bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, with an increased TP of INR 815/sh to account for new project additions in Hyderabad, Bengaluru and Chennai and building in a price hike of 5-10%.

- **Century Plyboards India:** We maintain our BUY rating on Century Ply, with an unchanged target price of INR 745/sh (35x its Sep'25E consolidated EPS). We like Century for its strong franchise (pan-India distribution, aggressive marketing, and a wide range of SKUs), leadership presence in most wood segments, market share gains and healthy return ratios. In Q2FY24, revenue rose 10% YoY, led by strong growth in the MDF (+26% aided by Punjab brownfield expansion) and ply (+11% YoY) segments. EBITDA declined 15% YoY on weak performance in laminates and particle board segments. APAT declined 31% YoY, owing to lower EBITDA, higher capital charges and tax outgo. Its capex plan in all segments is running on track.

- **Multi Commodity Exchange:** MCX reported a strong revenue growth of 13% QoQ, driven by options, while profitability was impacted by a payout of INR 1.25bn to 63moons and higher SGF contribution. The new CDP went live on 16th October and is running smoothly without any major issues. Post the transition, the volume was impacted for two weeks but gradually returned to normal levels. The management team's focus will be on product launches, higher algo volumes, and scaling FPI and DII volumes with HFT and DMA. The launch of monthly expiry contracts every week and Index options will draw the interest of options traders but is subject to regulatory approvals. We expect options notional/premium CAGR of +76/53% over FY23-26E. The options revenue grew 28% QoQ, led by higher premium ADTV, but the premium to notional ratio is coming down gradually (1.84% vs 1.96% in Q1). We remain constructive on the options' growth story, supported by increasing active traders, a new tech platform, shorter-duration options, and regulatory tailwinds. We increase our revenue estimates by ~3% for FY26E and increase multiple to 30x vs 28x earlier. We maintain our BUY rating with a target price of INR 2,850, based on a P/E of 30x Dec-25E core PAT + net cash ex SGF.

- **Birla Corporation:** We maintain our BUY rating on Birla Corporation (BCORP), with an unchanged target price of INR 1,465/share (8.5x Sep-25E consolidated EBITDA). We continue to like BCORP for its large retail presence in the lucrative north/central regions. We expect a recovery in margins on Mukutban's ramp-up, incentive accrual H2FY24 onwards, falling fuel prices, and other ongoing cost rationalization initiatives. In Q2FY24, BCORP delivered healthy volume growth (+15% YoY) and unit EBITDA improved by INR 20 per MT QoQ to INR 678 per MT, aided by lower input/freight costs. Mukutban production is ramping up, albeit at a slower pace.

- **Ami Organics:** We retain our ADD rating on Ami Organics (AO), with a target price of INR 1,248 (WACC 11%, terminal growth 6%) on the back of (1) expansion of its speciality chemicals portfolio, (2) contribution from long-term contracts which shall start contributing to revenue from Q4FY24, and (3) strong product pipeline in its advanced pharma intermediate business. EBITDA was 33% below our estimates, mainly owing to a 4% lower-than-expected revenue, higher-than-expected employee cost and higher-than-expected operating expenses. The company has made a provision of INR 318mn towards the impairment of its investment in a JV, Ami Oncotheranostics LLC. Therefore, AO reported a loss of INR170mn in the quarter. Adjusted for exceptional items, the profit for the quarter was INR44mn.

- **Ashoka Buildcon:** Ashoka Buildcon (ASBL) reported largely in-line numbers with revenue/EBITDA/APAT at INR 15.6/1.4/0.7bn. EBITDA margin: 9.2% (+47/+463bps YoY/QoQ, vs. our estimate of 8.5%, owing to lower fixed and other overheads, partly offset by higher volatility in input and raw material prices). With no order wins in Q2FY24, its order inflow for H1FY24 stands at INR 22.9bn, taking OB as of Sep'23 to INR 148bn (~2.3x FY23 revenue; L1 of INR 2.7bn). The standalone gross/net debt as of Sep'23 stood at INR 11.2/8.9bn vs. INR 9.9/7.3bn as of Jun'23. ASBL guided for infusing equity of INR 1.5/0.6bn in HAM projects in H2FY24/25 and capex of INR 1bn in FY24, of which INR 0.8bn was already incurred in H1FY24. It maintained its FY24 revenue guidance to grow by 15% YoY and an EBITDA margin of 8-9% in H2FY24. Given a truncated ordering period owing to elections and weaker-than-expected NHAI ordering, it maintained its FY24 inflow guidance at a lower level of INR 50-60bn. Given the strong OB, improving visibility on asset monetization, and likely cash inflow from asset monetization (INR 31bn), we maintain BUY, with an unchanged SOTP of INR 202/sh (9x Sep-25E EPS), while factoring in a higher valuation for HAM assets (1.3x P/BV) and +INR 19/sh for BOT assets.

- **ITD Cementation:** ITD Cementation (ITD) reported quarterly revenue/EBITDA/APAT of INR 16.1/1.6/0.5bn. EBITDA margins: 9.8% (+405/+101bps YoY/QoQ, vs. our estimate of 8.7%, owing to lower input and raw material prices and lower employee expenses, partly offset by higher fixed and other overheads). With an OI of INR 45.8bn in Q2FY24, the H1FY24 inflow stood at INR 48.2bn (-32.7% YoY; vs. FY24 guidance of INR 80bn+), taking the Sep'23 OB to INR 220.8bn (~4.3x FY23 revenue). The OB is well-diversified, providing a natural hedge from a slowdown in any particular business segment. The net D/E, as of Sep'23, stood at 0.34x vs. 0.49x as of Jun'23. ITD maintained its FY24 revenue guidance at INR 70bn+ with an EBITDA margin of 10%+. ITD has incurred a capex of INR 2.4bn in H1FY24 towards construction plants and equipment. With this, it does not expect much capex excluding the Bangladesh marine project. Given the better margin profile and stronger execution in H1FY24, we reiterate BUY, with an unchanged TP of INR 254/sh (11x Sep-25E EPS).

- **Neogen Chemicals:** Our BUY recommendation on Neogen Chemicals (NCL) with a target price of INR 2,099/sh is premised on (1) entry into the new age electrolyte manufacturing business; (2) increasing contribution of the high-margin CSM business to revenue; (3) capacity-led growth momentum in legacy business; and (4) improving return ratios and strong balance sheet, going forward. NCL's EBITDA/APAT will grow at a CAGR of 38/45% over FY23-28E while RoE will improve from 11% in FY23 to 31% in FY28E. Q2 EBITDA/APAT were 21/52% below our estimates, owing to 13% lower-than-expected revenue and higher-than-expected finance costs.

ABB India

Margins beat

ABB reported strong Q3CY23 revenue/EBITDA/PAT at INR 27.7/4.4/3.6bn beating our estimate at all level by 11/36/34%. This was mainly on the back of a higher EBITDA margin, which was at an all-time quarterly high of 15.8% (+588/+194bps YoY/QoQ). Margin expansion was mainly aided by higher capacity utilisation kicking in oplev, higher price realisation mainly in EL segment, favourable product mix and higher proportion of services, at 16%, in the revenue mix. MO witnessed a large order within its railway division from a Vande Bharat OEM. ABB is anticipating a higher capex cycle in railways and is thus planning to expand and enhance its MO manufacturing capacity. ABB is, however, witnessing a slowdown in demand for LV motors because of diminishing pent up demand and global slowdown. For Q3CY23, order inflow (OI) was INR 30bn, taking the order backlog to INR 80bn. The punchy valuation limits further stock upside; thus, we maintain REDUCE with an increased TP of INR 4,080/sh (rolled over to 60x Sep-25 EPS).

- **Q3CY23 financial highlights:** Revenue was INR 27.7bn (+31%/+10% YoY/QoQ, a 11% beat). RA/MO/EL/PA posted annual growth of +105/11/18/93%. EBITDA was recorded at INR 4.4bn (+108%/+26% YoY/QoQ, 36% beat). Consequently, EBITDA margin was 15.8% (+588/+193bps YoY/QoQ, 12.9% est.). This was on the back of better capacity utilization, higher price realization and favorable product mix. Also the proportion of services vs. the product in revenue mix was higher at 16% which also contributed towards better margins. RPAT/APAT was INR 3.6bn (+115%/+22% YoY/QoQ, a 34% beat).
- **Robust ordering driven by large order in Motion segment:** For Q3CY23, order inflow was at INR 30bn (+14%/-1.3% YoY/QoQ), taking the backlog to INR 80bn, consisting mostly of short cycle orders. RA/MO/EL/PA saw order inflows of INR 1.1/14.1/10.3/5.3bn growing 132/47/7-25% YoY and 90/26/-6/-33% QoQ. EA saw higher growth in base order and strong conversion of in renewable segment with higher penetration in the retail market. In MO, growth was led by large order from railway segment particularly for an OEM for Vande Bharat trainset. PA order growth was subdued on account of delay in the realization of a few large orders which is likely to fructify in the coming quarters. RA ordering growth was led by paints and electronics segments. The medium voltage segment is seeing demand from data centers. ABB is witnessing momentum in large orders intake that shows customers' preference for energy-efficient and high-quality solutions in diverse market segments.
- **Capacity expansion and enhancement in upcoming quarters:** Within railway segment, ABB expects investment in Railways to grow at 15% CAGR for the next two years at industry level with expected investment in rail infrastructure at USD 715bn by 2030 most of which be towards electrification. Having secured a large order in this quarter from a Vande Bharat OEM mainly for propulsion technology, ABB plans to expand and enhance its current manufacturing capacity in coming quarters.

Standalone financial summary (INR mn)

Dec Year End	Q3CY23	Q3CY22	YoY (%)	Q2CY23	QoQ (%)	CY22	CY23E	CY24E	CY25E
Net Revenues	27,692	21,197	30.6	25,086	10.4	85,675	107,816	130,313	150,948
EBITDA	4,385	2,110	107.9	3,487	25.8	9,619	13,470	16,349	19,082
APAT	3,620	1,681	115.4	2,958	22.4	7,712	11,228	13,407	15,411
EPS (INR)	17.1	7.9	115.4	14.0	22.4	36.4	53.0	63.3	72.7
P/E (x)						118.4	81.3	68.1	59.3
EV/EBITDA (x)						91.7	65.3	53.2	45.1
RoE (%)						17.2	20.7	20.6	19.8

Source: Company, HSIE Research

REDUCE

CMP *(as on 09 Nov 2023)*	INR 4,310
Target Price	INR 4,080
NIFTY	19,395

KEY CHANGES	OLD		NEW
Rating	ADD		ADD
Price Target	INR 4,080		INR 4,080
EPS change %	CY23E	CY24E	CY25E
	-	-	-

KEY STOCK DATA	
Bloomberg code	ABB IN
No. of Shares (mn)	212
MCap (INR bn) / ($ mn)	913/11,169
6m avg traded value (INR mn)	1,178
52 Week high / low	INR 4,678/2,637

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(4.5)	13.4	39.1
Relative (%)	(2.8)	8.4	32.8

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	75.00	75.00
FIs & Local MFs	8.06	7.36
FPIs	9.46	10.17
Public & Others	7.48	7.47
Pledged Shares	-	-

Source : BSE

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United Spirits

In-line print, cautious commentary on margin

UNSP's Q2 print was largely in line with revenue/EBITDA/PAT growing by -1/6/21%. On LFL, revenues were up 12%, led by increasing P&A mix and improved footprint & saliency of innovation/renovation offerings. P&A volume/revenue grew by 4/13% YoY, led by improved market saliency of offerings, which were recently renovated/innovated. The popular segment volumes fell 11% (rebased) as sustained inflation and duty increases in some states continued to have a bearing on demand. In addition to weak popular and low prestige, there are early signs of demand slowdown even in mid-prestige. GM sustained its sequential improvement trend (43.4%), aided by forward cover and price increase. However, with ENA prices expected to remain elevated, we bake in slow recovery to pre-COVID margin at c.48%. Despite achieving 17% EBITDAM in H1FY24, management remains cautious for H2FY24 and expects slightly above 15% EBITDAM in FY24. It is driven by input cost pressure, demand slowdown and brand investments. However, UNSP remains confident in medium to long-term of double-digit revenue growth with higher EBITDA growth. We cut our EPS by 3/2% for FY24/25. We value UNSP at 47x P/E on Sep-25E EPS (standalone) to arrive at a TP of INR 1,100 (including INR 80/share of RCB+ non-core assets). Maintain ADD.

- **Revenue up 12% LFL led by P&A:** Net revenue fell 1% YoY (HSIE: -1%) to INR 28.6bn with LFL revenue growing 12% YoY. P&A revenue grew by 13% YoY to INR 25.2bn (HSIE: in-line), led by momentum in innovation and renovation offerings. P&A volume/realisation grew by 4/9% YoY. Popular (rebased) revenue grew 1% YoY to INR 2.7bn (HSIE: INR 2.8bn) as the category remained affected by inflation. Popular volume fell 11%, while realisation grew by 13% YoY. We model 12% revenue CAGR in P&A with 6% volume CAGR for FY23-26E.
- **Input cost inflation to remain elevated:** GM expanded by 400bps YoY to 43.4% (vs HSIE 43%). We build in a gradual recovery in GM (48% in FY19) since despite glass prices stabilising QoQ, prices of ENA are expected to remain elevated. EBITDA margin expanded by 120bps YoY to 16.4%, aided by GM expansion and lower opex/employee expenses. A&P spending stood at 8.4% of sales vs 5.5% in Q2FY23 (6.8% in Q1FY24). We model 16-17% EBITDA margins for FY24/FY25/FY26.
- **Con call takeaways:** (1) In addition to popular/lower prestige, we are now seeing a slowdown even in mid-prestige. Early signs of festive build-up below expectations. (2) Luxury and premium portfolios continue to see robust demand. (3) The company maintains a target of +15% EBITDA margin for FY24. (4) JW Blonde is now available across all key markets in the country. (5) Introduced global Tequila trademark Don Julio in India. It's a leading brand globally. (6) Repeat customers for Royal Challenge American Pride is at 90%. (7) Announced interim dividend of INR 4/share.

Quarterly/annual financial summary (standalone)

(INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	28,647	29,042	(1.4)	21,719	31.9	94,237	1,03,737	1,09,078	1,22,220	1,34,461
EBITDA	4,701	4,424	6.3	3,851	22.1	15,104	14,187	17,343	20,411	23,396
APAT	3,183	2,636	20.7	2,397	32.8	9,679	9,235	11,620	13,958	16,003
EPS (INR)	4.4	3.6	20.6	3.3	32.8	13.3	12.7	16.0	19.2	22.0
P/E (x)						82.3	86.3	68.6	57.1	49.8
EV / EBITDA (x)						52.8	55.4	44.9	37.6	32.3
ROIC (%)						22.6	19.1	22.9	25.3	27.0

Source: Company, HSIE Research

ADD

CMP *(as on 9 Nov 2023)*	INR 1,097
Target Price	INR 1,100
NIFTY	19,395

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,100	INR 1,100
	FY24E	FY25E
EPS %	-3%	-2%

KEY STOCK DATA	
Bloomberg code	UNSP IN
No. of Shares (mn)	727
MCap (INR bn) / ($ mn)	798/9,757
6m avg traded value (INR mn)	957
52 Week high / low	INR 1,110/731

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	7.7	38.5	25.1
Relative (%)	9.5	33.5	18.9

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	56.68	56.67
FIs & Local MFs	12.64	12.33
FPIs	15.92	16.51
Public & Others	14.76	14.49
Pledged Shares	0.67	0.67

Source : BSE

Pledged shares as % of total shares

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Phoenix Mills

Densification new growth driver

Phoenix Mills (PHNX) reported muted revenue/EBITDA/APAT at INR 8.8/5.1/2.8bn, missing our estimates by 13/14/6%. Consumption improved to INR 26.4bn (+21%/+3% YoY/QoQ). PHNX is ramping up its office portfolio intending to achieve 7.1msf of leased office assets by FY26 from 2.5msf of the current operational portfolio. In FY24, Phase 1 comprising 0.8msf of the office assets in Hebbal, Bengaluru, is expected to become operational. PHNX has not achieved any prelease in this asset; however, it has a pipeline of 2msf and expects occupancy to reach 75% within a year of completion. PHNX acquired land in Thane with 3msf developable potential and is evaluating multiple options on asset class to develop. Densification is emerging as the new growth driver, and we incorporate a 10-15% rental hike in line, with PHNX office rent guidance, the addition of office space, a strong business development pipeline, and robust cash generation as the other triggers. We maintain BUY, with an increased SOTP of INR 2,280/sh.

- **Q2FY24 financial highlights:** Revenue: INR 8.8bn (+34%/+8% YoY/QoQ, a 13% miss). EBITDA: INR 5.1bn (+35%/+4% YoY/QoQ, a 14% miss). EBITDA margin: 58.7% (+22/-202bps YoY/QoQ, vs est. of 59.5%). RPAT: INR 2.5bn (+36%/+5% YoY/QoQ). There was an impairment loss of INR 78mn; adjusting for which, APAT came in at INR 2.8bn (+51%/+17% YoY/QoQ, a 6% miss). The total retail rental income was INR 3.9bn (+25%/+4% YoY/QoQ) with an EBITDA of INR 4.0bn (+26%/+4% YoY/QoQ). Excluding new malls, i.e. Citadel Indore, Palladium Ahmedabad, and Mall of the Millennium, Pune, retail rental income came in at INR 3.2bn (+8/+1% YoY/QoQ) with EBITDA at INR 3.5bn (+11/+1% YoY/QoQ). Income from offices was INR 470mn (+9%/+5% YoY/QoQ), with the EBITDA margin at 56% (57%/58% in Q2FY23/Q1FY24).
- **Robust consumption:** Q2FY24 retail consumption improved at INR 26.4bn (+21%/+3% YoY/QoQ). On a like-to-like basis, excluding new malls and removing the impact of lifestyle block, consumption grew 10% YoY. In H1FY24, Consumption stood at INR 52bn and was supported mainly by fashion and accessories which contributed 50% towards consumption. Other categories i.e. Electronics/Jewellery/F&B/Multiplexes/Hypermarket/Others contributed 12/12/11/5/3/8% resp. On a like-to-like basis, higher double-digit annual growth was seen in Hypermarket/Jewellery/Multiplex/F&B at 51/25/22/12% resp. Ex-new malls, leased occupancy across malls is stable at an average of 98%, along with trading occupancy improving to 95%. For Citadel, Indore and Palladium Ahmedabad, trading occupancy has improved to 89% and 74% resp and is targeted to touch 90% and 77% resp. by Mar'24. Mall of Asia, Bengaluru and Mall of Millennium, Pune are expected to touch 75% and 80% resp. by Mar'24.
- **Business development supported by healthy cash flow:** Consolidated gross/net debt stood at INR 42.6/20.9bn vs INR 40.5/21.7bn as of Jun'23. The group liquidity stands at INR 21.7bn. The retail collection was INR 6.4bn (+23%/+4% YoY/QoQ). Until FY27, capex to incur for all the projects under development is at INR 50bn, which will be supported by net operating cash flow with an annual run-rate of INR 20bn. After FY24, PHNX plans to add 1msf of retail area every year.

Consolidated financial summary (INR mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	8,750	6,511	*34.4*	8,106	*7.9*	26,383	32,277	40,397	51,115
EBITDA	5,138	3,809	*34.9*	4,923	*4.4*	15,189	19,710	24,598	31,035
APAT	2,808	1,858	*51.1*	2,405	*16.7*	5,213	8,791	11,021	15,567
EPS (INR)	16.4	10.9	*51.1*	14.0	*16.7*	48.5	51.4	64.4	90.9
P/E (x)						42.6	40.2	32.1	22.7
EV/EBITDA (x)						*11.2*	25.4	19.4	15.5
RoE (%)						17.1	11.2	12.6	15.6

Source: Company, HSIE Research

BUY

CMP *(as on 9 Nov 2023)*	INR 2,064
Target Price	INR 2,280
NIFTY	19,395

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,000	INR 2,280

EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	PHNX IN
No. of Shares (mn)	179
MCap (INR bn) / ($ mn)	369/4,509
6m avg traded value (INR mn)	409
52 Week high / low	INR 2,124/1,186

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	22.5	41.1	34.7
Relative (%)	24.3	36.2	28.5

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	47.30	47.29
FIs & Local MFs	19.93	18.51
FPIs	28.55	30.01
Public & Others	4.22	4.19
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Oil India

Earnings impacted by exceptional item

Our ADD recommendation on Oil India with a target price of INR 320 is premised on oil and gas production growth at 3% CAGR over FY24-26E, attractive valuations of 4.8x Mar-25 EPS—a 20% discount to long-term average P/E of 6x, 0.6x Mar-25 P/Bv with RoE of ~15% and a dividend yield of ~8%. However, this is offset by limited earnings potential, owing to the levy of a windfall tax on crude oil prices and a decline in the price of domestically produced APM gas. Q2FY24 EBITDA stood at INR 25bn, coming in ahead of our estimate; however, PAT at INR 3.3bn came in well below our estimate, mainly impacted by a provision for service tax/GST on royalty of INR 24bn.

- **Standalone financial performance:** EBITDA in Q2 stood at INR 25bn (+35% YoY, +7% QoQ) came in above our estimate, owing higher crude oil and natural gas realisations. Reported PAT at INR 3.3bn (-81% YoY, -80% QoQ) was mainly impacted by provision of INR 24bn towards demand of service tax/GST on royalty. Other expenses at INR 9.8bn (+2% YoY, +73% QoQ) came above our estimate. Interest cost of INR 2.2bn (+6% YoY, +35% QoQ) also came in higher, owing to exchange rate variation amounting to INR 380mn in Q2.
- **Standalone operational performance**: In Q2, the net crude oil realisation adjusting for the windfall tax stood at USD 75.5/bbl (+6% YoY, +2% QoQ); gas realisation was at USD 6.9/mmbtu, (+13% YoY, +3% QoQ). Earnings were also supported by higher-than-expected oil production of 0.84mmt (+6% YoY, +2% QoQ, HSIE: 0.79mmt) and gas production of 0.81bcm (-2% YoY, +9% QoQ, HSIE: 0.79bcm). Oil sales volume was at 0.85mmt (+10% YoY, +14% QoQ), while gas sales volume was at 0.65bcm (-1% YoY, +20% QoQ).
- **Key highlights**: (1) Management has indicated oil/gas production to grow at 3-4%. (2) The company has guided standalone capex at INR 49bn for FY24 and capex for Numaligarh Refinery (NRL) at INR 80bn. (3) In Q2, NRL reported an EBITDA of ~INR 10.8bn with a GRM of USD 16.04/bbl; NRL's cumulative capex for the expansion as at end of Q2 was at INR 130bn. (4) OIL's standalone debt stood at INR 110bn while consolidated debt stood at INR 200bn.
- **Change in estimates**: We cut our consolidated EPS estimates for FY24E by 5% to INR 55.5/sh, to factor H1 performance and service tax/GST on royalty payments. Our FY25 EPS is revised upwards by 4% to INR 63/sh to factor in a marginal increase in oil and gas production and lower depreciation. Our target price is revised to INR 321/sh.
- **We value Oil India's standalone business at INR 197 (3.5x Mar-25E EPS) and its investments at INR 123. The stock is currently trading at 4.8x Mar-25E EPS.**

Standalone financial summary

YE March (INR bn)	Q2 FY24	Q1 FY24	QoQ (%)	Q2 FY23	YoY (%)	FY22*	FY23*	FY24E*	FY25E*	FY26E*
Revenues	59	46	27.3	58	2.4	300	410	358	428	460
EBITDA	25	23	6.9	18	34.6	105	153	108	121	127
APAT	3	16	(79.8)	17	(81.1)	56	87	60	68	70
AEPS (INR)	3.0	14.9	(79.8)	15.9	(81.1)	51.8	80.5	55.5	63.0	64.8
P/E (x)						5.8	3.7	5.4	4.8	4.7
EV/EBITDA (x)						4.8	3.4	4.3	3.6	3.1
RoE (%)						20.7	25.3	14.4	14.1	12.6

Source: Company, HSIE Research | *Consolidated

ADD

CMP *(as on 9 Nov 2023)*	INR 302
Target Price	INR 320
NIFTY	19,395

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 300	INR 320
EPS change	FY24E	FY25E
	-5.0%	+4.0%

KEY STOCK DATA	
Bloomberg code	OINL IN
No. of Shares (mn)	1,084
MCap (INR bn) / ($ mn)	328/4,008
6m avg traded value (INR mn)	526
52 Week high / low	INR 339/193

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.3	19.0	54.2
Relative (%)	11.1	14.0	48.0

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	56.66	56.66
FIs & Local MFs	16.35	15.89
FPIs	11.02	11.26
Public & Others	15.97	16.19
Pledged Shares	0.00	0.00

Source : BSE

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Deepak Nitrite

DPL drives earnings

We maintain SELL on Deepak Nitrite (DNL), with a price target of INR 1,419 (WACC 12%, terminal growth 4%). The stock is currently trading at 24x FY25E EPS. We believe that (1) high input costs will continue to put pressure on the company's margin and (2) further growth in DPL is capped as the phenol plant is already running at over full capacity. EBITDA/APAT were 8/5% below our estimates, owing to lower-than-expected revenue.

- **Financial performance:** Revenue fell 9.5% YoY while it remained flattish to INR 17.7bn in Q2 on account of demand slowdown in the export market and an inventory destocking by Chinese suppliers. EBITDA jumped up 44% QoQ to INR 3bn due to strong volume gains in phenol and high capacity utilisation. The EBITDA margin came in at 17% (+319/+514 bps YoY/QoQ), owing to reduced raw material cost and power and fuel expenses.
- **Advanced intermediates (AI):** Revenue fell 2/5% YoY/QoQ to INR 6.7bn and EBIT fell 25/10% YoY/QoQ to INR 1bn. The performance was impacted owing to subdued demand from the end-user industry like agrochemicals, dyes & pigments, and textiles.
- **Deepak Phenolics (DPL):** Revenue fell 13% YoY while it was up 5% to INR 11.2bn and EBIT was up 66/95% YoY/QoQ to INR 1.7bn owing to lower raw material cost and operating leverage. The phenol plant achieved an average capacity utilization of ~136% in H1. End-user sectors including glass, paper and homecare have witnessed green shoots of demand revival. The management expects demand recovery from Q4 onwards.
- **Update on projects:** The photohalogenation and fluorination plant is expected to be commissioned in December. The acid plant project also remains on track and shall commence commercial production in FY24. The MIBK/MIBC plant is expected to be commissioned in H1FY25.
- **Change in estimates:** We cut our FY24/25 EPS estimates by 1.9/0.6% to INR 66.2/86.5, to factor in the impact of global destocking, the slowdown in the agrochemical industry, and the performance in Q2.

Financial summary (consolidated)

INR mn	2QFY24	1QFY24	*QoQ(%)*	2QFY23	*YoY(%)*	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	17,781	17,683	*0.5*	19,617	*(9.4)*	68,022	79,721	75,879	84,601	96,568
EBITDA	3,023	2,098	*44.1*	2,709	*11.6*	16,036	12,894	13,267	17,599	21,533
APAT	2,051	1,499	*36.8*	1,745	*17.5*	10,666	8,520	8,844	11,791	14,563
AEPS (INR)	15.0	11.0	*36.8*	12.8	*17.5*	78.2	62.5	66.2	86.5	106.8
P/E (x)						26.6	33.3	31.4	24.1	19.5
EV/EBITDA(x)						17.9	22.0	21.1	15.6	12.2
RoE (%)						37.5	22.9	19.7	21.8	22.2

Source: Company, HSIE Research

Change in estimates (Consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	13,583	13,267	(2.3)	17,679	17,599	(0.5)	21,499	21,533	0.2
Adj. EPS (INR/sh)	67.5	66.2	(1.9)	87.0	86.5	(0.6)	106.8	106.8	(0.0)

Source: Company, HSIE Research

SELL

CMP *(as on 09 Nov 2023)*	INR 2,076
Target Price	INR 1,419
NIFTY	19,395

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,440	INR 1,419
EPS %	FY24E	FY25E
	-1.9%	-0.6%

KEY STOCK DATA	
Bloomberg code	DN IN
No. of Shares (mn)	136
MCap (INR bn) / ($ mn)	283/3,463
6m avg traded value (INR mn)	1,039
52 Week high / low	INR 2,373/1,730

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	0.5	6.6	(9.7)
Relative (%)	2.3	1.6	(15.9)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	49.13	49.13
FIs & Local MFs	15.61	17.95
FPIs	8.08	6.47
Public & Others	27.18	26.44
Pledged Shares	0.00	0.00

Source : BSE

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The Ramco Cements

Superlative volume growth; healthy margin recovery

We maintain a REDUCE rating on The Ramco Cements with a revised target price of INR 1,030/share (12x Sep-25E EBITDA), owing to expensive valuations and elevated balance sheet outlook. It reported strong performance in Q2FY24, as volume grew 38/7% YoY/QoQ. NSR declined 3% QoQ on weak pricing in the south. However, as opex too fell 5% QoQ, unitary EBITDA expanded INR 75/MT QoQ to INR 865/MT. Management expects 20%+ volume growth in FY24. The 0.9mn MT brownfield SGU in Odisha is expected by Jan-24. We estimate gearing to remain elevated (net debt/EBITDA >2x), owing to aggressive expansions.

- **Q2FY24 performance:** It reported >10/20% revenue/EBITDA beat vs ours/ consensus estimates. Sales volume soared 38% YoY (up 7% QoQ too in a seasonally weak quarter). Trade sales share further improved by 200bps QoQ to 67%. NSR declined 3% QoQ on weak pricing in the south. However, lower opex (down 5% QoQ) more than offset the impact. Input cost fell sharply by INR 230/MT, owing to lower power/fuel costs. Green power share increased to 38% vs 22/29% YoY/QoQ, on the rise in captive wind power usage. Fuel cost too fell 14% QoQ to INR 1.75/mn Cal. Marginal reduction in freight cost was offset by higher unitary fixed cost QoQ. Thus, unitary EBITDA expanded INR 75/MT QoQ to INR 865/MT. Capital charges continue to increase owing to ongoing expansions.
- **Con call updates and outlook**: Management expects 20%+ volume growth in FY24. It also noted that there have been large cement price hikes in October as compared to the Q2 average price, and it is sustaining in November. Ramco is targeting to scale green power share to 52% by FY25-end vs 38% currently, which will boost its margin. The 0.9mn MT SGU expansion in Odisha is expected by Jan-24. The 18MW CPP at Kurnool and two dry mortar plants in AP and Odisha are expected in Q3FY24. Kurnool line-2 clinker expansion (tentative 2.5mn MT) would be taken up after the completion of ongoing projects. These should keep Capex elevated and free cashflow should remain negative in FY24, in our view. We model in INR 16/11bn Capex in FY24/25E and estimate net debt/EBITDA to remain elevated at 2.8/2.3x in FY24/25 respectively. We raise our EBITDA estimates by 11/14/10% for FY24/25/26E, factoring in strong volume momentum.

Quarterly/annual financial summary—standalone

YE Mar (INR bn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Sales (mn MT)	4.6	3.3	*38.0*	4.3	*7.2*	11.1	15.0	18.9	20.6	22.1
NSR (INR/MT)	5,053	5,262	*(4.0)*	5,203	*(2.9)*	5,315	5,383	5,168	5,219	5,271
Opex (INR/MT)	4,188	4,775	*(12.3)*	4,412	*(5.1)*	4,195	4,614	4,211	4,195	4,220
EBITDA(INR/MT)	865	488	*77.3*	791	*9.3*	1,119	769	956	1,025	1,051
Net Sales	23.29	17.84	*30.5*	22.41	*3.9*	59.80	81.35	97.82	107.69	116.38
EBITDA	3.99	1.84	*116.7*	3.41	*16.7*	12.84	11.82	18.08	21.14	23.21
APAT	1.01	0.12	*775.5*	0.79	*28.4*	5.91	3.44	5.64	8.31	9.87
AEPS (INR)	4.3	0.5	*775.5*	3.3	*28.4*	25.0	14.5	23.9	35.2	41.8
EV/EBITDA (x)						20.6	23.3	15.5	13.0	11.8
EV/MT (INR bn)						13.6	12.5	12.2	12.0	11.0
P/E (x)						40.9	70.3	42.8	29.1	24.5
RoE (%)						*9.7*	*5.2*	*8.0*	*10.8*	*11.6*

Source: Company, HSIE Research

REDUCE

CMP *(as on 9 Nov 2023)*	**INR 1,022**
Target Price	**INR 1,030**
NIFTY	**19,395**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 910	INR 1,030
EBITDA revision %	FY24E *10.5*	FY25E *13.5*

KEY STOCK DATA	
Bloomberg code	TRCL IN
No. of Shares (mn)	236
MCap (INR bn) / ($ mn)	242/2,953
6m avg traded value (INR mn)	494
52 Week high / low	INR 1,040/634

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	18.3	32.6	45.1
Relative (%)	20.0	27.6	38.9

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	42.11	42.11
FIs & Local MFs	32.44	33.36
FPIs	7.95	7.85
Public & Others	17.50	16.68
Pledged Shares	8.88	9.36

Source : BSE

Pledged shares as % of total shares

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Endurance Technologies

Recessionary trends in Europe remains the key concern

Endurance Q2 consolidated PAT at INR 1.55bn was in line with our estimate. Europe business saw a 70bps QoQ margin decline to 15.4%, largely due to seasonality. In India, while the premium segment in 2Ws is seeing good demand, growth prospects for entry 2W segment appear bleak, given the incremental impact of sub-par monsoon expected on rural sentiment. Further, consumer sentiment in Europe has sharply deteriorated, given the recessionary trends in the region. The weak consumer sentiment is visible in the slower run rate of Endurance's business wins in Europe for H1. However, given the reduction in energy costs in Europe, we factor in consolidated margin to improve to 14% by FY25E (from 11.8% in FY23). While we have factored in most of the key positives, the valuation at 28.5x FY25E earnings appears expensive. Reiterate REDUCE with a revised target of INR 1,508 (earlier INR 1,467), as we roll forward to Sep-25 EPS (unchanged target multiple of 25x).

- **Q2 performance in line with estimates:** Endurance Q2 consolidated PAT at INR 1.55bn was in line with our estimates. The standalone margin remained flat QoQ at 12.6% and included state incentive worth INR 249mn. Standalone PAT grew 9% YoY to INR1.4bn. In Q1FY24, its Europe revenue grew 5.6% YoY to Euro 60mn and was ahead of production growth of 4%. Europe margins declined 70bps QoQ to 15.4% as it is a seasonally weak quarter. Maxwell's revenue has improved to INR 171mn from INR 100mn QoQ. EBITDA loss has reduced to INR 43.3mn from INR 65 mn.
- **Call takeaways**: (1) New business won in H1 stands at INR7.77bn from non-Bajaj customers. Of this, INR 4.66bn is new business wins and the balance is replacement business. (2) In the domestic market, management is hopeful of rural recovery in H2. Also, they are seeing strong growth from premium bikes (150cc and above). (3) They have till date won INR 6.2bn worth of EV business from Ather, Bajaj, Hero Electric, Greaves Cotton, Bounce and Aptiv. However, post the FAME 2 subsidy reduction, EV ramp-up plans for a few OEMs have been hurt. Management expects the EV segment to pick up in coming quarters. (4) In Europe, Endurance has won only Euro 19.76mn worth of new business so far in H1. This compares to Euro 84mn worth of new business wins in FY23. Management did indicate that consumer sentiment is not positive in Europe, given the ongoing recession. (5) In Europe, while 23% of the industry mix came from EVs for 9MCY23, management did indicate that EV demand is now reducing, given the recent reduction of subsidies in many regions. However, management believes this is a temporary phenomenon and expects the EV transition to pick up pace soon. (6) Management indicated that Maxwell is on track to achieve profitability in FY25 and they are extremely positive about Maxwell's growth opportunities in the long run.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	25,450	23,606	7.8	24,500	3.9	88,040	100,722	1,12,284	1,25,947
EBITDA	3,183	2,716	17.2	3,213	-0.9	10,363	13,191	15,584	17,397
APAT	1,546	1,315	17.5	1,635	-5.5	4,899	6,595	8,026	8,946
Diluted EPS (INR)	11.0	9.3	17.5	11.6	-5.5	34.8	46.9	57.1	63.6
P/E (x)						46.6	34.6	28.5	25.5
EV / EBITDA (x)						21.6	17.0	14.1	12.4
RoCE (%)						13.7	17.2	18.7	18.8

Source: Company, HSIE Research

REDUCE

CMP *(as on 9 Nov 2023)*	INR 1,624
Target Price	INR 1,508
NIFTY	19,395

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,467	INR 1,508
EPS %	FY24E	FY25E
	0.0%	0.0%

KEY STOCK DATA	
Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (INR bn) / ($ mn)	228/2,793
6m avg traded value (INR mn)	181
52 Week high / low	INR 1,751/1,172

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.9)	17.7	16.3
Relative (%)	(0.2)	12.7	10.1

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	75.00	75.00
FIs & Local MFs	15.91	14.9
FPIs	7.34	8.31
Public & Others	1.75	1.79
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Brigade Enterprises

Robust outperformance

Brigade Enterprises Ltd (BEL) reported strong presales of 1.7msf (+39%/+14% YoY/QoQ), valued at INR 12.5bn (+57%/+25% YoY/QoQ), with average realisation touching an all-time high of INR 7,466psf. The higher realisation is on the back of a price hike taken with an average hike of +15%/+9% YoY/QoQ. Most of the presales were sustenance sales with two projects of 1.15msf launched during the quarter contributing 35% by volume and 30% by value to the overall presales. BEL has a total launch pipeline of 11.1msf for the next four quarters, of which 6.5msf of project with a GDV of INR 65bn is planned for H2FY24. The Mount Road Chennai project (i.e. TVS land) is expected to be launched in Q4FY24. In terms of BD, BEL added 42 acres of land across Bengaluru, Chennai, and Hyderabad, with 7msf of saleable area and a GDV of 77bn. BEL paid the remaining INR 2.3bn towards Kokapet land, Hyderabad, during the first week of October. Given BEL's strong cash position of INR 15.7bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, with an increased TP of INR 815/sh to account for new project additions in Hyderabad, Bengaluru and Chennai and building in a price hike of 5-10%.

- **Q2FY24 financial highlights:** Revenue came in at INR 13.7bn (+55%/+109% YoY/QoQ, 55% beat); Revenue from Real Estate at INR 10.3bn (+70%/+200% YoY/QoQ), Hospitality at INR 1.1bn (+20%/+4% YoY/QoQ) and Leasing at INR 2.4bn (+26%/+12%YoY/QoQ). EBITDA: INR 3.3bn (+50%/+86% YoY/QoQ, 37% beat. EBITDA margin: 23.8% (-85bps/-297bps YoY/QoQ, vs 26.9% est.). RPAT/APAT: 1.3bn (+109%/+247% YoY/QoQ, 57% beat). For FY24, BEL expects INR 30bn worth of deliveries.
- **Robust launch pipeline:** For Q2FY24, sales volume was 1.67msf (+39%/+14% YoY/QoQ), valued at INR 12.5bn (+57%/+25% YoY/QoQ) with average realisation touching an all-time high of INR 7,466 per sq ft (+4%/+9% YoY/QoQ). This was on the back of two projects of 1.15msf launched during the quarter, which contributed 35% by volume and 30% by value to presales during Q2FY24. It has a strong upcoming pipeline of 11.1msf for the next four quarters for the residential portfolio (9.3msf BEL share) with a GDV potential of INR 110bn; and another 1.8msf for the commercial portfolio. For the H2FY24, BEL plans to launch 6.5msf with a GDV potential of INR 65bn.
- **Balance sheet comfortable:** At the consolidated level, Residential debt is INR 244mn (vs. INR 10mn in Q1FY24). The consolidated gross/net debt stood at INR 41/25bn (INR 38/20bn as of Jun-23). The net debt/equity stood at 0.63x (vs. 0.52x as of Jun-23). 77% of the debt is in commercial projects and is backed by rentals. The total collection was INR 14.3bn (+0%/+16% YoY/QoQ) with residential collection at INR 9.9bn. BEL has an unsold residential inventory of 2.6msf/11msf in ongoing/upcoming projects. The projected net free cash flow from sold/unsold units is INR 28bn. During the quarter, BRGD bought 42 acres of land across Bengaluru, Hyderabad and Chennai with a saleable area of 7msf and a GDV potential of INR 77bn. The total land cost payable is INR 7.6bn as of Sep'23.

Consolidated Financial Summary (INR mn)

YE March	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	13,666	8,792	*55.4*	6,540	*109.0*	34,446	37,286	39,140	40,684
EBITDA	3,248	2,165	*50.0*	1,748	*85.8*	8,590	9,721	10,332	10,802
APAT	1,335	639	*108.9*	385	*246.5*	2,366	2,686	2,694	2,712
EPS (INR)	5.8	2.8	*108.9*	1.7	*246.5*	10.3	11.7	11.7	11.8
P/E (x)						68	60	59	59
EV/EBITDA (x)						22	20	19	18
RoE (%)						11.7	8.1	7.7	7.4

Source: Company, HSIE Research

BUY

CMP *(as on 09 Nov 2023)*	INR 695
Target Price	INR 815
NIFTY	19,395

KEY CHANGES		OLD	NEW
Rating		BUY	BUY
Price Target		INR 739	INR 815
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	BRGD IN
No. of Shares (mn)	231
MCap (INR bn) / ($ mn)	160/1,963
6m avg traded value (INR mn)	144
52 Week high / low	INR 750/431

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	22.9	29.1	35.5
Relative (%)	24.6	24.1	29.3

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	43.78	43.77
FIs & Local MFs	25.45	25.40
FPIs	13.68	13.40
Public & Others	17.09	17.43
Pledged Shares*	-	-

Source: BSE

**Pledged shares as % of total shares*

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Century Plyboards India

Strong show in ply and MDF segments

BUY

CMP *(as on 9 Nov 2023)*	**INR 639**
Target Price	**INR 745**
NIFTY	**19,395**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 745	INR 745
EPS revision %	FY24E *2.7*	FY25E *0.2*

KEY STOCK DATA	
Bloomberg code	CPBI IN
No. of Shares (mn)	222
MCap (INR bn) / ($ mn)	142/1,735
6m avg traded value (INR mn)	93
52 Week high / low	INR 722/436

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	2.0	18.1	8.9
Relative (%)	3.8	13.1	2.7

SHAREHOLDING PATTERN (%)

	Jun-23	**Sep-23**
Promoters	73.04	73.04
FIs & Local MFs	14.12	14.49
FPIs	5.60	5.61
Public & Others	7.23	6.86
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

We maintain our BUY rating on Century Ply, with an unchanged target price of INR 745/sh (35x its Sep'25E consolidated EPS). We like Century for its strong franchise (pan-India distribution, aggressive marketing, and a wide range of SKUs), leadership presence in most wood segments, market share gains and healthy return ratios. In Q2FY24, revenue rose 10% YoY, led by strong growth in the MDF (+26% aided by Punjab brownfield expansion) and ply (+11% YoY) segments. EBITDA declined 15% YoY on weak performance in laminates and particle board segments. APAT declined 31% YoY, owing to lower EBITDA, higher capital charges and tax outgo. Its capex plan in all segments is running on track.

- **Q2FY24 performance:** Revenue rose 10% YoY on a strong 26% rise in MDF (aided by Hoshiyarpur ramp-up) and an 11% rise in ply segments. However, laminates/particle board revenues fell 3/19% YoY owing to muted demand. Volume for ply/ laminates/ MDF grew 8/7/19% YoY, while particle board declined by 4%. EBITDA declined 15% YoY on weak performance in laminates and particle board segments. Segmental EBITDA for ply and MDF rose 5/24% YoY to INR 718/520mn, while it declined 4/37% YoY for laminates/particle board to INR192/ 86mn respectively. On a YoY basis, all segments reported a lower margin. On a QoQ basis, ply and particle board margins were flattish. MDF margin recovered 100bps QoQ on op-lev gain and ramp-up of the Punjab plant. Laminates margin also expanded 200bps QoQ (on a low base) to 11.2%. APAT declined 31% YoY owing to lower EBITDA, higher capital charges and tax outgo.
- **Con call KTAs and outlook:** Century guided for Capex of INR 10.5/4.5bn in FY24/FY25E towards ongoing expansions: greenfield MDF expansion in AP of 313K CBM (doubling capacity) by Q4FY24 (Capex INR 7bn), greenfield laminates expansion in AP by Q3FY24 (Capex INR 2bn), greenfield particle board expansion 240K CBM in Chennai by FY25 end (INR 5.5bn) and plywood expansions of 80K CBM by Q1FY25 (debottlenecking/Hoshiarpur: 20/60K CBM). For H2FY24, management guided ply revenue growth of 10% with ~13-14% OPM. In MDF, it targets strong 25%+ YoY growth in H2FY24 aided by the Hoshiarpur ramp-up with stable/better margins. Revenue and OPM are expected to improve for the laminate and particle board segment in upcoming quarters. We raise our FY24E EPS by +3% but maintain FY25/26E EPS with an unchanged TP of INR 745/sh.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q2 FY24	Q2 FY23	*YoY (%)*	Q1 FY24	*QoQ (%)*	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	9.97	9.09	*9.7*	8.91	*11.9*	30.27	36.47	39.89	47.28	54.80
EBITDA	1.44	1.70	*(15.1)*	1.33	*8.3*	5.31	6.06	6.23	7.48	8.89
EBITDAM (%)	14.5	18.7		14.9		17.5	16.6	15.6	15.8	16.2
APAT	0.97	1.41	*(31.3)*	0.87	*11.4*	3.13	4.30	4.00	4.27	5.21
AEPS (INR)	4.4	6.3	*(31.3)*	3.9	*11.4*	14.1	19.3	18.0	19.2	23.4
EV/EBITDA (x)						26.9	23.7	23.8	19.8	16.0
P/E (x)						45.4	33.0	35.5	33.3	27.3
RoE (%)						22.2	24.8	*19.0*	*17.1*	*17.7*

Source: Company, HSIE Research

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Multi Commodity Exchange

Tech transition successful; focus on products

MCX reported a strong revenue growth of 13% QoQ, driven by options, while profitability was impacted by a payout of INR 1.25bn to 63moons and higher SGF contribution. The new CDP went live on 16th October and is running smoothly without any major issues. Post the transition, the volume was impacted for two weeks but gradually returned to normal levels. The management team's focus will be on product launches, higher algo volumes, and scaling FPI and DII volumes with HFT and DMA. The launch of monthly expiry contracts every week and Index options will draw the interest of options traders but is subject to regulatory approvals. We expect options notional/premium CAGR of +76/53% over FY23-26E. The options revenue grew 28% QoQ, led by higher premium ADTV, but the premium to notional ratio is coming down gradually (1.84% vs 1.96% in Q1). We remain constructive on the options' growth story, supported by increasing active traders, a new tech platform, shorter-duration options, and regulatory tailwinds. We increase our revenue estimates by ~3% for FY26E and increase multiple to 30x vs 28x earlier. We maintain our BUY rating with a target price of INR 2,850, based on a P/E of 30x Dec-25E core PAT + net cash ex SGF.

- **Q2FY24 highlights**: MCX revenue grew 13/30% QoQ/YoY to INR 1.65bn (in line with the estimate of INR 1.63bn). Futures ADTV was down 12.3% QoQ to INR 187bn, impacted by bullion (-14%), energy (-12%), and metals (-7% QoQ). EBITDA margin was negative due to a payout of INR 1.25 to the erstwhile tech vendor, and the payment will continue in Q3 as well. Options notional/premium ADTV stood at INR 858/15.80bn and options contributed ~INR 0.83bn to revenue (~50% of total revenue). Crude/natural gas/bullion contributed 74/22/4% to options volume. The AMC for the new software will start after one year while the amortisation for the new CDP will start from Q3. The active options UCC went up by 21/99% QoQ/YoY to reach ~327K.
- **Outlook:** We estimate a -9/+53% futures/options ADTV CAGR over FY23-26E, resulting in +23/53% revenue/APAT CAGRs over FY23-26E. The core PAT CAGR is at 67% over FY23-26E.

Quarterly financial summary

YE March (INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,651	1,274	*29.6*	1,458	*13.3*	3,668	5,135	6,804	8,208	9,628
EBITDA	(173)	656	*(126.4)*	107	*(261.8)*	1,622	1,497	1,043	5,346	6,452
APAT	(77)	633	*(112.1)*	197	*(139.0)*	1,639	1,490	1,224	4,452	5,329
EPS (INR)	(1.5)	12.4	*(112.1)*	3.9	*(139.0)*	32.2	29.3	24.0	87.4	104.7
P/E (x)						76.9	84.6	103.0	28.3	23.6
EV / EBITDA (x)						69.9	78.9	113.1	21.8	17.8
RoE (%)						11.6	10.3	8.2	28.1	30.4

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR mn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	6,760	6,804	*0.7*	8,010	8,208	*2.5*	9,280	9,628	*3.8*
EBITDA	1,180	1,043	*-11.6*	5,270	5,346	*1.4*	6,240	6,452	*3.4*
EBITDA Margin (%)	17.5	15.3	-212bps	65.8	65.1	-66bps	67.2	67.0	-23bps
APAT	1,300	1,224	*-5.9*	4,400	4,452	*1.2*	5,170	5,329	*3.1*
EPS (INR)	25.4	24.0	*-5.4*	86.4	87.4	*1.2*	101.5	104.7	*3.1*

Source: Company, HSIE Research

BUY

CMP *(as on 09 Nov 2023)*	**INR 2,475**
Target Price	**INR 2,850**
NIFTY	**19,395**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 2,600	INR 2,850
EPS %	FY25E	FY26E
	+1.2	+3.1

KEY STOCK DATA	
Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / ($ mn)	126/1,544
6m avg traded value (INR mn)	1,859
52 Week high / low	INR 2,666/1,285

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	53.0	80.6	63.0
Relative (%)	54.8	75.6	56.8

SHAREHOLDING PATTERN (%)	**Jun-23**	**Sep-23**
Promoters	0.00	0.00
FIs & Local MFs	55.07	56.44
FPIs	24.84	25.31
Public & Others	19.90	18.25
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Birla Corporation

In-line results; volume growth accelerates

We maintain our BUY rating on Birla Corporation (BCORP), with an unchanged target price of INR 1,465/share (8.5x Sep-25E consolidated EBITDA). We continue to like BCORP for its large retail presence in the lucrative north/central regions. We expect a recovery in margins on Mukutban's ramp-up, incentive accrual H2FY24 onwards, falling fuel prices, and other ongoing cost rationalization initiatives. In Q2FY24, BCORP delivered healthy volume growth (+15% YoY) and unit EBITDA improved by INR 20 per MT QoQ to INR 678 per MT, aided by lower input/freight costs. Mukutban production is ramping up, albeit at a slower pace.

- **Q2FY24 performance:** BCORP delivered broadly in-line performance. Sales volume grew 15% YoY (-5% QoQ) to 4.2mn MT. This is driven by both strong demand from the Mukutban ramp-up and healthy growth in the north and central regions. Blended cement production fell to 86% vs 90/88% YoY/QoQ. Even trade sales declined to 72% vs 78/76% YoY/QoQ. These could be on account of the ramp-up of the Mukutban plant. NSR came in flat QoQ and opex cooled off 1% QoQ. This is driven by input/freight costs moderation by INR 20/80 per MT QoQ. Fuel cost fell INR 0.2/mnCal QoQ. It noted that variable cost at Mukutban has come off 50% YoY, supporting margin expansion. However, fixed costs went up INR 65/MT, moderating the margin gain. Thus, unitary EBITDA improved by 3% QoQ to INR 678/MT (up INR 450/MT YoY on lower fuel costs, benefits of cost reduction efforts and Mukutban stabilization). During H1FY24, BCORP generated OCF of INR 6.8bn, of which it spent INR 2.93bn on Capex. Net debt fell YoY (marginally down vs Mar-23) to INR 37.4bn. Net debt to EBITDA cooled off to 3.7x vs 5/5x YoY/QoQ
- **Con call KTAs and outlook**: Management maintained its guidance of 15% volume growth with INR 850 EBITDA per MT in FY24E (H1 volume growth 14%, unit EBITDA INR 668/MT). We maintain our estimates. We build in lower growth (10%) and margin (INR 720/MT). It announced a 1.4mn MT greenfield SGU in Prayagraj (UP) to be commissioned by Q2FY25 (Capex INR 4bn). The company is also working to scale up the usage of alternative fuel, captive coal, and green power, which will further boost margin recovery. It noted that through its cost initiatives—Project Shikhar Phase 1 and Project Unnati led to savings of ~INR 50/MT and INR 20/MT respectively in H1FY24.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Sales Vol (mn MT)	4.18	3.64	*14.8*	4.41	*(5.2)*	14.22	15.73	17.29	18.85	19.90
NSR (INR/MT)	5,211	5,151	*1.2*	5,229	*(0.3)*	4,955	5,237	5,185	5,262	5,341
EBITDA(INR/MT)	678	230	*194.2*	659	*2.9*	746	462	720	797	880
Net Sales	22.86	20.00	*14.3*	24.08	*(5.1)*	74.61	86.82	94.61	104.40	111.80
EBITDA	2.89	0.94	*207.5*	2.98	*(3.0)*	11.10	7.72	12.93	15.54	18.07
APAT	0.58	-0.56		0.60	*(2.2)*	4.30	0.34	3.47	5.83	7.45
AEPS (INR)	7.6	-7.3		7.8	*(1.8)*	55.8	4.4	45.1	75.8	96.8
EV/EBITDA (x)						11.0	17.6	10.4	8.4	7.1
EV/MT (INR bn)						7.61	6.63	6.58	6.39	5.88
P/E (x)						23.2	295.3	28.8	17.1	13.4
RoE (%)						*8.0*	*0.6*	*5.7*	*9.0*	*10.6*

Source: Company, HSIE Research

BUY

CMP *(as on 9 Nov 2023)*	INR 1,299
Target Price	INR 1,465
NIFTY	19,395

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,465	INR 1,465
EBITDA revision %	FY24E *0.0*	FY25E *0.0*

KEY STOCK DATA	
Bloomberg code	BCORP IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	100/1,223
6m avg traded value (INR mn)	180
52 Week high / low	INR 1,340/843

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.4	31.2	36.5
Relative (%)	8.2	26.2	30.3

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	62.90	62.90
FIs & Local MFs	15.80	16.02
FPIs	7.18	6.57
Public & Others	14.12	14.51
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Ami Organics

Mix skewed towards lower-margin products

We retain our ADD rating on Ami Organics (AO), with a target price of INR 1,248 (WACC 11%, terminal growth 6%) on the back of (1) expansion of its speciality chemicals portfolio, (2) contribution from long-term contracts which shall start contributing to revenue from Q4FY24, and (3) strong product pipeline in its advanced pharma intermediate business. EBITDA was 33% below our estimates, mainly owing to a 4% lower-than-expected revenue, higher-than-expected employee cost and higher-than-expected operating expenses. The company has made a provision of INR 318mn towards the impairment of its investment in a JV, Ami Oncotheranostics LLC. Therefore, AO reported a loss of INR170mn in the quarter. Adjusted for exceptional items, the profit for the quarter was INR44mn.

- **Financial performance:** Revenue grew 12% QoQ at INR 1,724mn while EBITDA was down 27% QoQ to INR248mn. The fall in product prices and shifting of product mix towards lower margin products has resulted in the reduction of gross margin by 686/697bps QoQ/YoY to 41%. EBITDA margin came in at 14.4% (-772/-474bps QoQ/ YoY) on account of a fall in gross margins as well as higher employee cost, which was driven by annual increments, ESOP and hiring for the Ankleshwar unit. Adjusted PAT decreased by 80/77% QoQ/YoY to INR44mn.
- **Segmental information:** (1) Revenue from advanced pharma intermediates grew by 7.7/16.7% YoY/QoQ to INR 1,346mn. (2) The speciality chemicals business showed strong growth of 72% YoY while it remained flattish QoQ to INR 378mn (including estimated Baba Fine Chemicals revenue of INR114mn in 1Q and INR87 in 2Q).
- **Con call takeaways:** (1) Fermian contract: The company has signed a new contract for additional advanced intermediate taking the total product under CDMO business to three products. The production is to start from Q4FY24 from the Ankleshwar unit. (2) Electrolyte additives: The company is in the advanced stages of signing a contract with a couple of customers. (3) Specialty chemical: The company has received orders for a UV observer product used in the paint industry. Commercial production for this shall commence from Q3FY24. (4) The share of exports was 54% in Q2FY24 compared to 37% in Q1FY24. (5) Completed acquisition of majority partnership stake in Baba Fine Chemicals during
- **Change in estimates:** We cut our FY24/25 EPS estimates by 16/4% to INR 22.3/33.3 owing to weak performance in Q2FY24 and a fall in product prices.

Financial summary (consolidated)

INR mn	2QFY24	1QFY24	QoQ(%)	2QFY23	YoY(%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,724	1,537	*12.1*	1,470	*17.3*	5,201	6,167	7,337	9,090	10,839
EBITDA	248	340	*(27.0)*	281	*(11.8)*	1,052	1,226	1,413	1,899	2,406
APAT	44	222	*(80.1)*	190	*(76.7)*	719	833	814	1,215	1,575
AEPS (INR)	1.2	6.1	*(80.1)*	5.2	*(76.7)*	19.7	22.9	22.3	33.3	43.2
P/E (x)						56.1	48.4	49.6	33.2	25.6
EV/EBITDA(x)						37.4	32.4	29.1	21.5	16.8
RoE (%)						20.9	14.9	12.9	17.0	18.9

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	%Ch	FY25E Old	FY25E New	%Ch	FY26E Old	FY26E New	%Ch
EBITDA (INR mn)	1,492	1,413	-5.3%	1,981	1,899	-4.1%	2,511	2,406	-4.2%
Adj. EPS (INR/sh)	26.6	22.3	-16.0%	34.8	33.3	-4.2%	45.2	43.2	-4.3%

Source: Company, HSIE Research

ADD

CMP *(as on 09 Nov 2023)*	INR 1,106
Target Price	INR 1,248
NIFTY	19,395

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1.364	INR 1,248
	FY24E	FY25E
EPS %	-16%	-4.2%

KEY STOCK DATA	
Bloomberg code	AMIORG IN
No. of Shares (mn)	37
MCap (INR bn) / ($ mn)	41/496
6m avg traded value (INR mn)	175
52 Week high / low	INR 1,389/845

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(8.8)	6.3	19.1
Relative (%)	(7.0)	1.3	12.9

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	39.41	38.93
FIs & Local MFs	5.23	5.94
FPIs	6.73	7.16
Public & Others	48.63	47.97
Pledged Shares	0.00	0.00

Source: BSE

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Ashoka Buildcon

Monetisation key trigger

Ashoka Buildcon (ASBL) reported largely in-line numbers with revenue/EBITDA/APAT at INR 15.6/1.4/0.7bn. EBITDA margin: 9.2% (+47/+463bps YoY/QoQ, vs. our estimate of 8.5%, owing to lower fixed and other overheads, partly offset by higher volatility in input and raw material prices). With no order wins in Q2FY24, its order inflow for H1FY24 stands at INR 22.9bn, taking OB as of Sep'23 to INR 148bn (~2.3x FY23 revenue; L1 of INR 2.7bn). The standalone gross/net debt as of Sep'23 stood at INR 11.2/8.9bn vs. INR 9.9/7.3bn as of Jun'23. ASBL guided for infusing equity of INR 1.5/0.6bn in HAM projects in H2FY24/25 and capex of INR 1bn in FY24, of which INR 0.8bn was already incurred in H1FY24. It maintained its FY24 revenue guidance to grow by 15% YoY and an EBITDA margin of 8-9% in H2FY24. Given a truncated ordering period owing to elections and weaker-than-expected NHAI ordering, it maintained its FY24 inflow guidance at a lower level of INR 50-60bn. Given the strong OB, improving visibility on asset monetization, and likely cash inflow from asset monetization (INR 31bn), we maintain BUY, with an unchanged SOTP of INR 202/sh (9x Sep-25E EPS), while factoring in a higher valuation for HAM assets (1.3x P/BV) and +INR 19/sh for BOT assets.

- **Q2FY24 financial highlights:** Revenue: INR 15.6bn (+21.9/+1.9% YoY/QoQ, marginal miss of 0.85%). EBITDA: INR 1.4bn (+28.5%/+2x YoY/QoQ, a beat of 7.5%). EBITDA margin: 9.2% (+47/+463bps YoY/QoQ, vs. our estimate of 8.5%, owing to lower fixed and other overheads, partly offset by higher volatility in input and raw material prices). Depreciation: INR 247mn (+35.4/+11.4% YoY/QoQ). Interest cost: INR 527mn (+46,2/+2.6% YoY/QoQ). Other income: INR 284mn (-4.2/+12.5% YoY/QoQ). RPAT/APAT: INR 712mn (+8.8%/+4.3x YoY/QoQ, a beat of 11.8%). The BOT division recorded a toll revenue of INR 3.1bn (+12.3/-3.4% YoY/QoQ). It maintained its FY24 revenue guidance to grow by 15% YoY and an EBITDA margin of 8-9% in H2FY24.
- **Well-diversified OB; order booking awaited:** With no wins in Q2FY24, its order inflow for H1FY24 stands at INR 22.9bn. The OB as of Sep'23 stood at INR 148bn (~2.3x FY23 revenue; L1 of INR 2.7bn). Business-wise, the OB is well-diversified with roads/power T&D/railways/buildings contributing 44/41/9/5% of the OB. Region-wise, the maximum contribution is from the west/south at 32/26%, followed by central/east/overseas/others at 13/10/10/9%. Client-wise, state/central government contributes 40/31% of the OB, followed by overseas/HAM/private clients at 10/10/9%. Given a truncated ordering period owing to elections and weaker-than-expected NHAI ordering, it maintained its FY24 inflow guidance at a lower level of INR 50-60bn.
- **Comfortable balance sheet; debt levels on a rise:** The standalone gross/net debt as of Sep'23 stood at INR 11.2/8.9bn vs. INR 9.9/7.3bn as of Jun'23. ASBL guided for infusing equity of INR 1.5/0.6bn in HAM projects in H2FY24/25 and capex of INR 1bn in FY24, of which INR 0.8bn was already incurred in H1FY24.

Standalone Financial Summary (INR mn)

Particulars	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	15,613	12,803	21.9	15,321	1.9	63,723	71,370	79,221	87,143
EBITDA	1,439	1,119	28.5	702	104.9	5,337	5,210	7,526	8,714
APAT	712	655	8.8	164	333.1	3,181	2,299	3,202	4,061
EPS (INR)	2.5	2.3	8.8	0.6	333.1	11.3	8.2	11.4	14.5
P/E (x)						12.4	17.2	12.3	9.7
EV/EBITDA (x)						8.9	9.2	6.3	5.4
RoE (%)						10.5	6.6	8.5	9.8

Source: Company, HSIE Research

BUY

CMP (as on 09 Nov 2023)	INR 141
Target Price	INR 202
NIFTY	19,395

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 202		INR 202
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	ASBL IN
No. of Shares (mn)	281
MCap (INR bn) / ($ mn)	39/482
6m avg traded value (INR mn)	337
52 Week high / low	INR 151/70

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	40.7	65.3	89.5
Relative (%)	42.5	60.3	83.3

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	54.48	54.48
FIs & Local MFs	18.64	19.97
FPIs	2.40	2.97
Public & Others	24.48	22.58
Pledged Shares	-	-

Source : BSE

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ITD Cementation

Upward margin trajectory

BUY

CMP (as on 09 Nov 2023)	INR 220
Target Price	INR 254
NIFTY	19,395

KEY CHANGES	OLD		NEW
Rating	BUY		BUY
Price Target	INR 254		INR 254
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA	
Bloomberg code	ITCE IN
No. of Shares (mn)	172
MCap (INR bn) / ($ mn)	38/462
6m avg traded value (INR mn)	284
52 Week high / low	INR 251/93

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.5	72.8	76.9
Relative (%)	14.3	67.8	70.7

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	46.64	46.64
FIs & Local MFs	4.57	3.38
FPIs	13.46	14.43
Public & Others	35.33	35.55
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

ITD Cementation (ITD) reported quarterly revenue/EBITDA/APAT of INR 16.1/1.6/0.5bn. EBITDA margins: 9.8% (+405/+101bps YoY/QoQ, vs. our estimate of 8.7%, owing to lower input and raw material prices and lower employee expenses, partly offset by higher fixed and other overheads). With an OI of INR 45.8bn in Q2FY24, the H1FY24 inflow stood at INR 48.2bn (-32.7% YoY; vs. FY24 guidance of INR 80bn+), taking the Sep'23 OB to INR 220.8bn (~4.3x FY23 revenue). The OB is well-diversified, providing a natural hedge from a slowdown in any particular business segment. The net D/E, as of Sep'23, stood at 0.34x vs. 0.49x as of Jun'23. ITD maintained its FY24 revenue guidance at INR 70bn+ with an EBITDA margin of 10%+. ITD has incurred a capex of INR 2.4bn in H1FY24 towards construction plants and equipment. With this, it does not expect much capex excluding the Bangladesh marine project. Given the better margin profile and stronger execution in H1FY24, we reiterate BUY, with an unchanged TP of INR 254/sh (11x Sep-25E EPS).

- **Q2FY24 financial summary:** Revenues: INR 16.1bn (+55.6/-12.1% YoY/QoQ, a miss of 5.5%). EBITDA: INR 1.6bn (+2.7x/-2.1% YoY/QoQ, a beat of 6.9%). EBITDA margins: 9.8% (+405/+101bps YoY/QoQ, vs. our estimate of 8.7% owing to lower input and raw material prices and lower employee expenses, partly offset by higher fixed and other overheads). Depreciation: INR 527mn (+91.4/+18.0% YoY/QoQ). Interest cost: INR 517mn (+31.8/+1.4% YoY/QoQ). Other income: INR 58mn (-52.2/-32.7% YoY/QoQ). Share of profits from JV: INR 85mn (-65.8/+98.4% YoY/QoQ). RPAT/APAT: INR 536mn (+2.7x/+2.7%, a beat of 5.0%). It maintained its FY24 revenue guidance at INR 70bn+ with an EBITDA margin of 10%+.
- **Robust OB; OI needs to ramp up:** With an OI of INR 45.8bn in Q2FY24, the H1FY24 inflow stood at INR 48.2bn (-33% YoY; vs. FY24 guidance of INR 80bn+), taking the Sep'23 OB to INR 221bn (~4.3x FY23 revenue). Client-wise, the OB is diversified among government/private/PSUs at 50/30/20%. Business-wise, the OB is diversified among marine/urban infra/highways/industrials/dams and tunnels/water/others at 35/24/18/12/6/2/2%. Geographically, within the domestic boundaries, the OB is diversified among Tamil Nadu/UP/AP/Karnataka/Delhi/West Bengal/others at 20/18/15/10/8/7/14% whereas overseas it has an OB of 5/3% from Bangladesh/Sri Lanka. ITD has a robust bid pipeline of ~INR 130-140bn for H2FY24.
- **Comfortable balance sheet:** ITD's consolidated gross debt, as of Sep'23, stood at INR 7.3bn vs. INR 7.9bn, as of Jun'23. With net debt at INR 4.6bn, the net D/E, as of Sep'23, stood at 0.34x vs. 0.49x as of Jun'23. Currently, ITD is borrowing working capital at 9.5-10.5%, term loan at 9-10% and pays a commission on bank guarantees at 0.8-1%. ITD has incurred a capex of INR 2.4bn in H1FY24 towards construction plants and equipment. With this, it does not expect much capex excluding the Bangladesh marine project.

Consolidated Financial Summary (INR mn)

Particulars	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	16,104	10,347	55.6	18,326	(12.1)	50,909	72,230	80,175	90,197
EBITDA	1,582	597	165.0	1,615	(2.1)	3,999	6,795	8,004	9,927
APAT	536	197	171.6	522	2.7	1,242	2,525	3,238	4,682
Diluted EPS (INR)	3.1	1.1	171.6	3.0	2.7	7.2	14.7	18.8	27.3
P/E (x)						30.4	15.0	11.7	8.1
EV / EBITDA (x)						9.7	5.3	4.4	3.5
RoE (%)						10.4	18.4	19.4	22.7

Source: Company, HSIE Research

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Neogen Chemicals

Volume-led growth

Our BUY recommendation on Neogen Chemicals (NCL) with a target price of INR 2,099/sh is premised on (1) entry into the new age electrolyte manufacturing business; (2) increasing contribution of the high-margin CSM business to revenue; (3) capacity-led growth momentum in legacy business; and (4) improving return ratios and strong balance sheet, going forward. NCL's EBITDA/APAT will grow at a CAGR of 38/45% over FY23-28E while RoE will improve from 11% in FY23 to 31% in FY28E. Q2 EBITDA/APAT were 21/52% below our estimates, owing to 13% lower-than-expected revenue and higher-than-expected finance costs.

- **Financial performance:** Revenue came in at INR 1,617mn (+9/-2% YoY/QoQ). The YoY increase in revenue was per the addition of new capacities in organic and inorganic chemicals through brownfield expansion and contribution from recently acquired BuLi chemicals. Growth was achieved despite the softening of product prices and the prevailing global headwinds, such as inventory destocking, the rapid reopening of China and a slowdown in the EU and other markets. EBITDA came in at INR 259mn (+7/-7% YoY/QoQ), with EBITDA margin coming in at 16% (-35/-99bps YoY/QoQ) on account of an increase in employee cost. Organic chemicals (76% of revenue) grew 25% YoY to INR 1,240mn. Inorganic chemicals (24%) fell 24% YoY to INR 440mn.
- **Key con call takeaways:** (1) NCL is now planning to set up an electrolyte plant of 30,000ktpa capacity (10,000ktpa earlier). Besides, NCL shall set up 4,000tpa (earlier 1,000tpa) of lithium salt capacity units. (2) The company is quite certain that 3 to 4 battery manufacturers who are setting up ~0.5GW to 1GW of capacity each will start ordering material in CY24. (3) One international customer is waiting for its production line to stabilise. Post that they will start taking material. This will take care of ~2,000tpa electrolyte capacity. (4) The management is confident about the robust demand for electrolytes for its MUIS-based capacity. Their demand assessment is based on (i) the large projects under implementation to set up GW capacities in India by CY25 and (ii) the number of enquiries the company is getting for electrolytes from domestic and overseas customers. (5) Developing nations are looking for non-China-based suppliers for electrolyte salts.
- **Change in estimates:** We cut our FY24/25 EPS estimates by 12.5/2.9% to INR 24/38.5 to factor in Q2FY24 performance and management guidance.
- **DCF-based valuation: Our target price is INR 2,099 (WACC 11%, terminal growth 5.5%). The stock is currently trading at 30x FY26E EPS.**

Financial summary (consolidated)

INR mn	2QFY24	1QFY24	QoQ(%)	2QFY23	YoY(%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,617	1,649	*(1.9)*	1,481	*9.2*	4,873	6,862	7,110	9,143	13,247
EBITDA	259	281	*(7.6)*	243	*6.8*	866	1,116	1,242	1,857	2,850
APAT	79	98	*(18.8)*	99	*(19.8)*	446	500	599	960	1,274
AEPS (INR)	3.2	3.9	*(18.8)*	4.0	*(19.8)*	17.9	20.0	24.0	38.5	51.1
P/E (x)						86.4	77.2	64.4	40.2	30.3
EV/EBITDA(x)						46.7	37.6	34.5	23.6	18.6
RoE (%)						14.3	10.8	11.8	16.6	18.9

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	1,349	1,242	*-8.0%*	1,847	1,857	*0.5%*	2,883	2,850	*-1.1%*
Adj. EPS (INR/sh)	27.5	24.0	*-12.5%*	39.6	38.5	*-2.9%*	51.7	51.1	*-1.3%*

Source: Company, HSIE Research

BUY

CMP *(as on 09 Nov 2023)*	INR 1,547
Target Price	INR 2,099
NIFTY	19,395

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,129	INR 2,099
	FY24E	FY25E
EPS %	-12.5%	-2.9%

KEY STOCK DATA	
Bloomberg code	NEOGEN IN
No. of Shares (mn)	25
MCap (INR bn) / ($ mn)	38/472
6m avg traded value (INR mn)	77
52 Week high / low	INR 1,859/1,128

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.9)	1.9	10.2
Relative (%)	(0.1)	(3.1)	3.9

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	60.19	60.19
FIs & Local MFs	20.01	20.25
FPIs	4.13	4.24
Public & Others	15.67	15.32
Pledged Shares	0.00	0.00

Source: BSE

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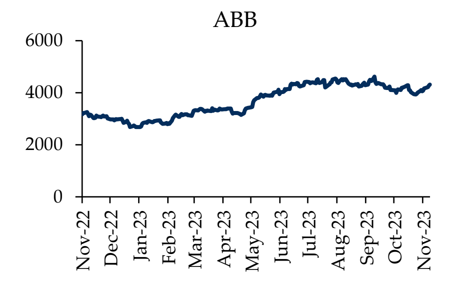
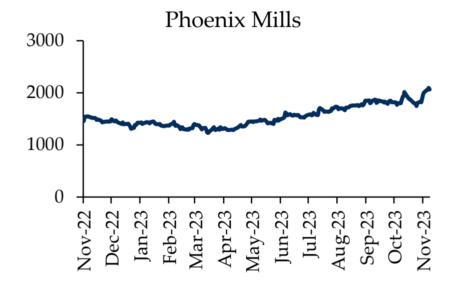
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

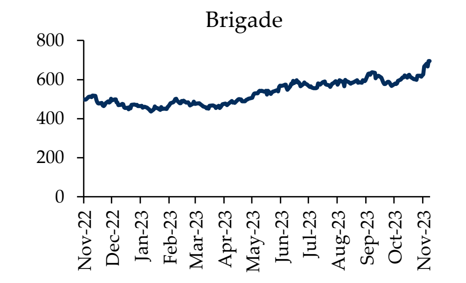
Disclosure:

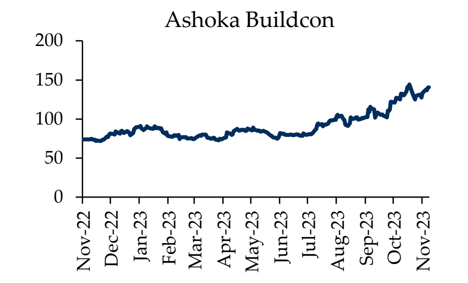
Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	ABB India, Phoenix Mills, Brigade Enterprises, Ashoka Buildcon, ITD Cementation	CFA	NO
Manoj Rawat	ABB India, Phoenix Mills, Brigade Enterprises, Ashoka Buildcon, ITD Cementation	MBA	NO
Nikhil Kanodia	ABB India, Phoenix Mills, Brigade Enterprises, Ashoka Buildcon, ITD Cementation	MBA	NO
Naveen Trivedi	United Spirits	MBA	NO
Varun Lohchab	United Spirits	PGDM	NO
Paarth Gala	United Spirits	Bcom	NO
Riddhi Shah	United Spirits	MBA	NO
Harshad Katkar	Oil India, Deepak Nitrite, Ami Organics, Neogen Chemicals	MBA	NO
Nilesh Ghuge	Oil India, Deepak Nitrite, Ami Organics, Neogen Chemicals	MMS	NO
Akshay Mane	Oil India, Deepak Nitrite, Ami Organics, Neogen Chemicals	PGDM	NO
Rajesh Ravi	The Ramco Cements, Century Plyboards India, Birla Corporation	MBA	NO
Keshav Lahoti	The Ramco Cements, Century Plyboards India, Birla Corporation	CA	NO
Aniket Mhatre	Endurance Technologies	MBA	NO
Amit Chandra	Multi Commodity Exchange	MBA	NO

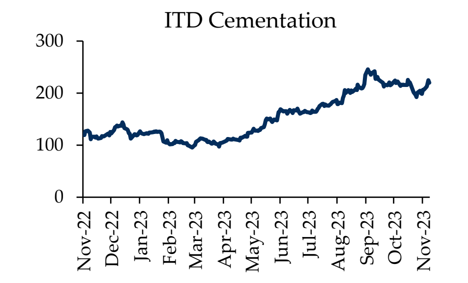
1 Yr Price movement

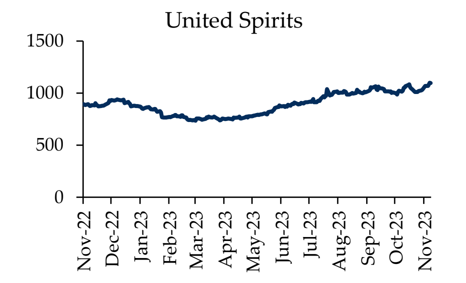


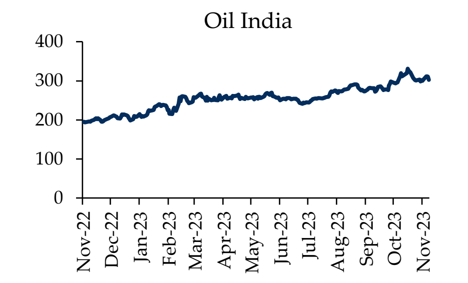


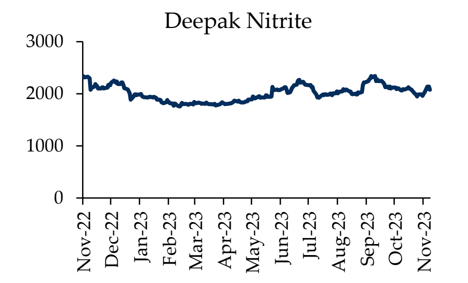


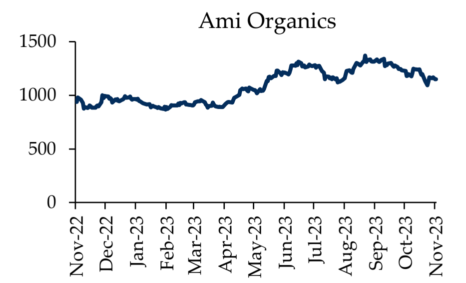


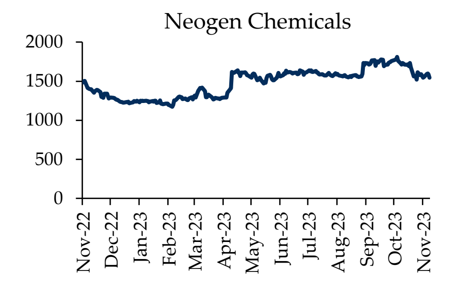


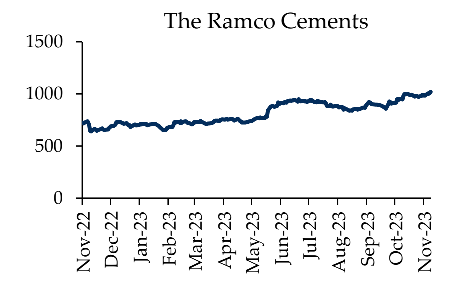


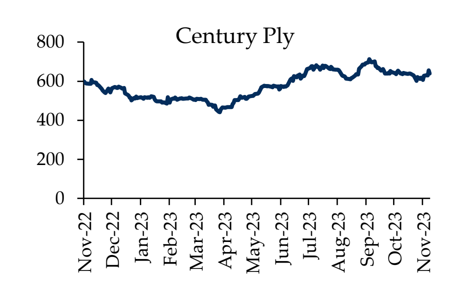


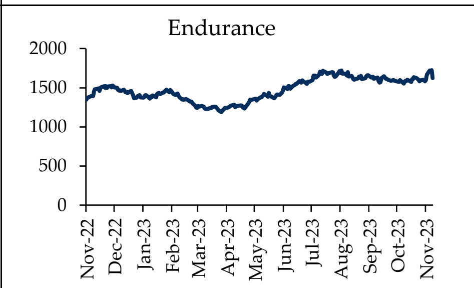


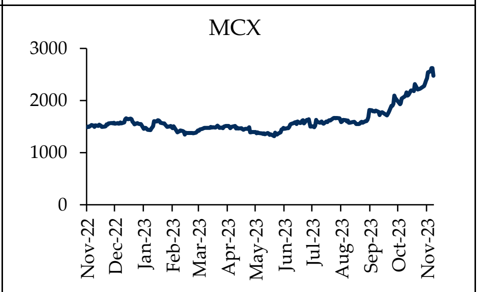












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